
April 3, 2002



Defense Infrastructure

Bulk Fuel Infrastructure Military
Construction Project Review
Process: Air Force
(D-2002-077)

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Abstract This report is one in a series that addresses the accuracy and reliability of maintenance, repair, environmental (MR&E), and military construction (MILCON) requirements for bulk fuel storage and delivery systems infrastructure. The audit reviewed four Air Force MILCON projects valued at \$19.5 million and 30 Air Force MR&E projects valued at \$6.6 million. The Defense Energy Support Center, Defense Logistics Agency, provides fuel to DoD customers and is responsible for budgeting and funding MILCON and MR&E projects at all DoD fuel terminals.		
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Acronyms

AFB	Air Force Base
AFRC	Air Force Reserve Command
DESC	Defense Energy Support Center
DLA	Defense Logistics Agency
MAJCOM	Major Command
MILCON	Military Construction
MR&E	Maintenance, Repair, and Environmental
SCP	Service Control Point



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April 3, 2002

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on Bulk Fuel Infrastructure Military Construction Project
Review Process: Air Force (Report No. D2002-077)

We are providing this report for information and use. This report is one in a series about bulk fuel storage and delivery systems infrastructure requirements.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore no additional comments are required

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Ms. Deborah L. Carros at (703) 604-9217 (DSN 664-9217) (dlcarros@dodig.osd.mil) or Mr. Wayne K. Million at (703) 604-9312 (DSN 664-9312) (wmillion@dodig.osd.mil). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

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Bulk Fuel Infrastructure Military Construction Project Review Process: Air Force

Executive Summary

Introduction. This report is one in a series that addresses the accuracy and reliability of maintenance, repair, environmental (MR&E), and military construction (MILCON) requirements for bulk fuel storage and delivery systems infrastructure. The audit reviewed four Air Force MILCON projects valued at \$19.5 million and 30 Air Force MR&E projects valued at \$6.6 million. The Defense Energy Support Center, Defense Logistics Agency, provides fuel to DoD customers and is responsible for budgeting and funding MILCON and MR&E projects at all DoD fuel terminals.

Objectives. Our overall objective was to evaluate the accuracy and reliability of DoD MR&E and MILCON requirements for bulk fuel storage and delivery systems infrastructure. Specifically, this audit evaluated MR&E and MILCON project requirements at Eglin Air Force Base, Florida and McChord Air Force Base, Washington. We also reviewed the adequacy of the management control program as it applied to the audit objective.

Results. Air Force installation and major command personnel approved requirements at the activities visited for 30 bulk fuel-related MR&E projects. Project requirements were accurate and necessary. However, MR&E projects were not reviewed, approved, and prioritized by an Air Force Service Control Point before being submitted to the Defense Energy Support Center for funding approval in accordance with DoD regulations. The Air Force did not have a Service Control Point for reviewing fuel-related infrastructure requirements until October 1, 2001, when the Air Force Petroleum Office was established. Air Force Petroleum Office personnel stated that they planned to implement procedures for reviewing, approving, and prioritizing Air Force MR&E project requirements in accordance with DoD guidance.

Air Force installation and major command personnel approved and validated requirements for three bulk fuel-related MILCON projects at McChord Air Force Base and Hurlburt Field, Eglin Air Force Base, valued at \$17 million. However, requirements for a \$2.5 million bulk fuel storage MILCON project at Duke Field, Eglin Air Force Base, were inaccurate and unsupported. As a result, Air Force Reserve Command personnel submitted inaccurate and unsupported MILCON project requirements to the Installation Planning and Review Board, Defense Energy Support Center, for funding consideration. The Air Force has taken corrective action to properly identify and validate the fuel-related MILCON project requirement at Duke Field. In October 2001, Headquarters, Air Force Reserve Command submitted a new Military Construction Project Data form (DD Form 1391) that accurately documented the Duke Field requirement. We believe that the revised form clearly stated the minimum fuel requirement to be supported by the MILCON project and gave the Defense Energy

Support Center the accurate and necessary data for determining whether the infrastructure request should be considered for funding approval. However, unless the Air Force takes corrective action to improve the requirements validation process, nonessential or unnecessary projects could be considered for future funding. For details of the audit results, see the Finding section of the report. The management controls that we reviewed were not effective in that a material management control weakness was identified. See Appendix A for details on the management control program. See Appendix C for details on the validated MILCON project requirements.

Summary of Recommendations. We recommend that the Civil Engineer, Eglin Air Force Base, and the Commander, Air Force Reserve Command establish policies and procedures to implement Air Force guidance to document that MILCON project requirements are properly reviewed and validated. We recommend that the Commander, Air Force Petroleum Office, establish procedures to validate future MILCON project requirements in accordance with DoD policies. We also recommend that the Director, Defense Energy Support Center, modify existing procedures to require the Air Force Petroleum Center to review and approve bulk fuel-related MILCON and MR&E projects before the projects are approved for funding.

Management Comments. The Air Force and the Defense Logistics Agency concurred with the report recommendations and stated that all new procedures will be implemented before August 31, 2002. A discussion of the management comments is in the Finding section of the report, and the complete text is in the Management Comments section.

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Background

This report is one in a series being issued by the Inspector General, DoD, addressing DoD maintenance, repair, environmental (MR&E), and military construction (MILCON) requirements for bulk fuel storage and delivery systems infrastructure (storage tanks, pipelines, dispensing facilities, hydrants, etc.). The Defense Energy Support Center (DESC), Defense Logistics Agency (DLA), is responsible for budgeting and funding MR&E and MILCON projects for DoD bulk fuel terminals worldwide.

In 1991, DoD Program Budget Decision 735 authorized the transfer of MILCON funding authority to DLA for fuel-related infrastructure on military installations. Actual transfer of the funding responsibilities, however, was managed in two phases. The period from 1993 through 1996 was characterized by very low fuel-related MILCON expenditures. During that period, when the Services would have historically spent an average of \$66 million per year, DLA averaged only \$17 million. Low funding levels over an extended period of time precipitated infrastructure deterioration to the point that environmental issues became a concern. Additionally, the United States changed from a forward-deployed force to one based largely in the continental United States. Therefore, an enhanced en route refueling infrastructure to support worldwide deployment of U.S. forces was needed to meet timeline requirements for a two major theater war strategy. Consequently, there was a growing demand for MILCON and MR&E projects supporting infrastructure.

In 1997, the Office of the Deputy Under Secretary of Defense (Logistics) completed a study on DoD fuels MILCON funding. The study identified 114 MILCON projects totaling \$1.5 billion in fuel-related MILCON requirements to meet environmental, operational, and strategic planning objectives for the proposed Future Years Defense Program (FYs 1999 through 2003). During FY 1998 budget considerations, the transfer of MILCON authority to DLA created a funding issue because the Defense budget did not provide for increased funding for DLA. For FY 2000, DLA funded and approved \$101.2 million for five projects. For the FY 2001 President's Budget to Congress, DLA programmed 14 projects with an estimated cost of \$168 million.

DESC was responsible for DoD fuel inventory management, including procurement and sales, and environmental oversight. DLA funded fuel-related infrastructure requirements from two different funding sources. Maintenance and repair projects were funded through the Defense Working Capital Fund, which is a revolving fund that is continually replenished by a DLA surcharge that is added to the sale price of fuel. Major construction projects were funded from the DLA allocation of MILCON appropriations.

The Military Departments were responsible for operating bulk fuel facilities under their cognizance. The Military Departments were also responsible for reviewing, validating, and prioritizing MR&E and MILCON projects before submitting the projects to DESC for review and funding approval. DoD Directive 4140.25, "DoD Management Policy for Energy Commodities and Related Services," April 20, 1999, prescribes DoD policy for energy and related programs (for example, petroleum, natural gas, coal, and propellants). DoD 4140.25-M,

“DoD Management of Bulk Petroleum Products, Natural Gas, and Coal,” June 1994, implements DoD Directive 4140.25, prescribes policy guidance, and assigns functional responsibilities for integrated materiel management of bulk petroleum products and associated bulk fuel storage facilities. Air Force Instruction 32-1021, “Planning and Programming of Facility Construction Projects,” May 12, 1994, provides guidance for developing facilities through the use of MILCON and minor construction. Air Force Engineering Technical Letter 99-6, “Programming Fuels Projects,” December 10, 1999, provides guidance to civil engineering managers who program and manage fuel-related MR&E, minor construction, and MILCON projects where funding is the responsibility of the DESC. See Appendix B for a discussion of the DoD and Air Force policy guidance.

Objectives

The overall objective was to evaluate the accuracy and reliability of DoD MR&E and MILCON requirements for bulk fuel storage and delivery systems infrastructure. Specifically, this audit evaluated MR&E and MILCON project requirements at McChord Air Force Base (AFB), Washington, and Eglin AFB, Florida. We also reviewed the adequacy of the management control program as it applied to the audit objective. See Appendix A for a discussion of the audit scope and methodology, prior coverage related to the audit objective, and the review of the management control program.

Maintenance, Repair, and Environmental Projects

Air Force installation and major command (MAJCOM) personnel stated that they approved and validated requirements for the following 30 bulk fuel-related MR&E projects, valued at \$6.6 million, at the activities visited:

- 11 MR&E projects, valued at \$4.6 million, at McChord AFB; and
- 19 MR&E projects, valued at \$2 million, at Eglin AFB.

We determined that the project requirements were accurate and necessary. However, MR&E projects were not reviewed, approved, and prioritized by an Air Force Service Control Point (SCP) before being submitted to the DESC for funding approval in accordance with DoD 4140.25-M. The Air Force did not have an SCP for reviewing fuel-related infrastructure requirements until October 1, 2001, when the Air Force Petroleum Office was established. Air Force Petroleum Office personnel stated that they planned to implement procedures for reviewing, approving, and prioritizing Air Force MR&E project requirements in accordance with DoD guidance.

Validation of Bulk Fuel Storage Military Construction Requirements

Air Force installation and major command personnel approved and validated requirements at McChord AFB and Hurlburt Field, Eglin AFB, for three bulk fuel-related MILCON projects, valued at \$17 million. The project requirements were accurate and necessary. However, requirements for an additional \$2.5 million bulk fuel storage MILCON project at Duke Field, Eglin AFB, were inaccurate and unsupported. This occurred because Eglin AFB; Headquarters, Air Force Reserve Command (AFRC); and Air Force SCP personnel did not validate the project requirements in accordance with Air Force and DoD guidance. As a result, AFRC personnel submitted inaccurate and unsupported MILCON project requirements to the Installation Planning and Review Board at the Defense Energy Support Center for funding consideration. During the audit, Air Force personnel took corrective action to properly identify and validate the project. However, unless the Air Force takes corrective action to improve the requirements validation process, nonessential or unnecessary projects could be considered for future funding.

Bulk Fuel-Related Military Construction Projects Reviewed

Headquarters, Air Mobility Command, had one MILCON project at McChord AFB; and Headquarters, Air Force Special Operations Command, had two MILCON projects at Hurlburt Field, Eglin AFB. MAJCOM and installation personnel properly reviewed and validated the bulk fuel-related MILCON project requirements in accordance with Air Force Instructions and Engineering Technical Letter 99-6. See Appendix C for a more detailed discussion of the three MILCON projects.

Headquarters, AFRC, located at Robins AFB, Georgia, was the MAJCOM for the 919th Special Operations Wing at Duke Field, Eglin AFB. AFRC requirements for a \$2.5 million bulk fuel storage MILCON project at Duke Field were inaccurate and unsupported. AFRC personnel were responsible for reviewing, validating, and prioritizing all fuel-related MILCON project requirements for AFRC installations.

Eglin AFB Bulk Fuel Storage MILCON Project

Eglin AFB had two above ground, 60,000-gallon bulk fuel storage tanks at Duke Field. The tanks were approximately 40 years old and had deteriorated to the point that Eglin received environmental noncompliance citations from the Florida Department of Environmental Management and the Environmental Protection Agency.

Installation Personnel Initiated MILCON Project. Eglin AFB personnel initiated a MILCON project requirement at Duke Field to construct two 2,500-barrel (210,000 gallons) above ground jet fuel storage tanks with all necessary support equipment and facilities and also to demolish the old facility. The MILCON project cost was estimated at \$2.5 million, and the Military Construction Project Data form (DD Form 1391) justified the requirement based on environmental concerns and a change in mission. Eglin AFB civil engineering personnel submitted the project to Headquarters, AFRC and DESC in FY 1993 for the DLA FY 1997 MILCON program. The project remained unfunded in the DLA MILCON program as of November 2001 because of higher priority projects.

Inaccurate Project Requirement. DoD Directive 4140.25 states that the Components shall minimize inventories consistent with peacetime and contingency needs. The Air Force Engineering Technical Letter 99-6 states that MAJCOMs should “request only the minimum project scope necessary to do the job. DESC realizes that the Services can program projects without the compromise needed when funds are constrained.” Eglin AFB personnel provided sufficient documentation and data to support the requirement for a new fuel storage complex at Duke Field based on environmental concerns. However, the MILCON project requirement for two 2,500-barrel storage tanks was inaccurate and unsupported. Project documentation justified the storage requirement based on a change in mission. Installation and MAJCOM personnel stated that the justification for the storage requirement was specified in Air Force and military guidance.

Documented Project Justification. The FY 2000 MILCON project requirement increased the bulk fuel storage capacity at Duke Field from approximately 120,000 gallons (two 60,000-gallon tanks) to 210,000 gallons (two 2,500-barrel tanks) based on a change in mission. The DD Form 1391 stated that the mission conversion from the AC-130A to the MC-130E aircraft would require an increase in bulk fuel storage capacity. Eglin AFB completed the airframe conversion in February 2000, and the MILCON project requirement was submitted for funding consideration in June 2000. However, a comparison of fuel issues and receipts for Duke Field for FYs 1999 and 2000 indicated a 6.5 percent decrease in fuel usage and did not justify the requirement for an increase in bulk fuel storage.

Installation and MAJCOM Personnel Provided Additional Project Justification. Eglin AFB Civil Engineer personnel stated that the Air Force Reserves Command Handbook 32-1001 dictates the 5,000-barrel bulk fuel storage MILCON requirement for the C-130 mission at Duke Field. MAJCOM personnel stated that the fuel storage increase was based on Military Handbook 1022-A requirements for a minimum of two 2,500-barrel fuel tanks at each installation. DESC personnel stated that they rely on information documented on the DD Form 1391, but do not approve or validate MILCON projects solely on the basis of requirements or specifications documented in military handbooks or Service instructions.

MILCON Project Requirements Were Not Validated

Eglin AFB; Headquarters, Air Force Reserve Command; and SCP personnel did not validate the project requirements in accordance with Air Force and DoD guidance. DoD guidance requires that the SCP review and validate MILCON projects. Air Force guidance requires that MAJCOMs and installations validate MILCON project requirements.

MAJCOM and Installation MILCON Project Review and Validation. Eglin AFB and AFRC headquarters engineering and logistics personnel did not validate the Duke Field bulk fuel storage MILCON project requirement. Air Force Instruction 32-1021 and Engineering Technical Letter 99-6 both require MAJCOM review of MILCON projects. The Air Force instruction also requires that installation and MAJCOM personnel validate MILCON projects. Neither MAJCOM nor installation personnel could provide support for the requirement to increase bulk fuel storage at Duke Field on the basis of a mission change. The initial DD Form 1391 documented the requirement for increased storage and was submitted to DESC in 1993 when installation personnel were planning for the mission change. The DD Form 1391 was revised in March 1995 and in June 2000, at which time the mission change was complete; however, the requirement for two 2,500-barrel fuel tanks to support the mission change was never properly validated. Furthermore, DoD 4140.25-M states that fuel inventories are determined from previous year fuel issue data, and any requested fuel increase of more than 10 percent requires further justification. AFRC headquarters personnel demonstrated a decrease of 6.5 percent in fuel issues for Duke Field from FY 1999 to FY 2000. Therefore, the mission change did not support the requirement to increase bulk fuel storage at Duke Field by almost 100 percent. Finally, although MAJCOM personnel stated that they validated the MILCON requirement, they could not demonstrate that their Facility Working Group reviewed, approved, and validated the MILCON project in accordance with MAJCOM established procedures.

SCP Project Review and Validation. An Air Force SCP did not review or validate the Duke Field MILCON project. DoD 4140.25-M states that the SCPs are to review and validate MILCON projects, as well as develop consolidated project priority lists. Specifically, the Manual states that it is the responsibility of the SCP to review, validate, and prioritize all continental United States fuel-related MILCON requirements prior to submission to the DESC Installation Planning and Review Board. The Air Force did not have an SCP with responsibility for fuel-related infrastructure until the Air Force Petroleum Office was established in October 1, 2001.

DESC Received MILCON Projects From MAJCOMs

The SCP is responsible for forwarding a project prioritization list to the DESC for funding consideration in accordance with DoD 4140.25-M. DESC personnel stated that, historically, Air Force MAJCOMs submitted MILCON projects directly to the DESC because an Air Force SCP did not exist. DESC received

project priority lists from six different Air Force MAJCOMs in response to the FY 2000 MILCON project data call. DESC personnel also stated, however, that Air Force Installations and Logistics personnel at the headquarters level reviewed fuel-related MILCON projects before the DESC Installation Planning and Review Board considered the projects for funding.

Corrective Action Initiated

During the audit, the Air Force took corrective action to properly identify and validate the fuel-related MILCON project requirement at Duke Field. In October 2001, AFRC submitted a new DD Form 1391 that documented the Duke Field requirement to support 2,300 barrels of fuel. The DD Form 1391 request for two 2,500-barrel storage tanks was not revised and was more than necessary to support the fuel inventory requirement. However, the project justification was based on economy and efficiency of fuel tank construction costs. DESC has responsibility for providing and supporting necessary bulk fuel-related infrastructure in accordance with DoD guidance, and therefore, for determining the economy and efficiency of MILCON requests. We believe that the October 2001 DD Form 1391 clearly states the minimum fuel requirement to be supported by the MILCON project, and gives DESC the accurate and necessary data for determining whether the infrastructure request should be considered for funding approval.

Summary

The bulk fuel storage MILCON project requirement at Duke Field was inaccurate and never properly validated by installation or MAJCOM personnel. We are making no recommendations to cancel or suspend the MILCON project at Duke Field because we believe accurate and necessary requirements were properly identified and validated during the audit. However, procedures for validating MILCON projects at Eglin AFB and Headquarters, AFRC must be properly established and implemented to ensure that future project requirements are accurate and necessary.

Recommendations and Management Comments

1. We recommend the Civil Engineer, Eglin Air Force Base, establish procedures to implement Air Force Instruction 32-1021, "Planning and Programming of Facility Construction Projects," May 12, 1994, to demonstrate proper review and validation of bulk fuel-related military construction project requirements.

Management Comments. Eglin Air Force Base concurred and stated that the new procedures will be established by August 31, 2002.

2. We recommend that the Commander, Air Force Reserve Command establish procedures to document:

a. Proper review and validation of bulk fuel-related military construction project requirements in accordance with Air Force Instruction 32-1021, "Planning and Programming of Facility Construction Projects," May 12, 1994, and Air Force Engineering Technical Letter 99-6, "Programming Fuels Projects," December 10, 1999. The procedures should address identification and documentation of the minimum project scope necessary to support the requirement.

b. Future fuel-related military construction project requirements are submitted to the Air Force Petroleum Office for review, approval, and prioritization.

Management Comments. The Air Force Reserve Command concurred and stated that the new procedures will be completed by July 1, 2002.

3. We recommend that the Commander, Air Force Petroleum Office establish procedures to validate military construction project requirements in accordance with policies outlined in DoD 4140.25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," June 1994. At a minimum, procedures should verify whether adequate project requirement validation was performed by the major command sponsoring the project.

Management Comments. The Air Force Petroleum Office concurred and stated that the new procedures will be established by March 31, 2002.

4. We recommend that the Director, Defense Energy Support Center, Defense Logistics Agency, modify existing procedures to require Air Force Petroleum Center review and approval of bulk fuel-related military construction and maintenance, repair, and environmental projects before the projects are approved for funding.

Management Comments. The Defense Logistics Agency concurred and stated that the Air Force Petroleum Center is currently performing the function and that an engineer is being hired to manage the process.

Appendix A. Audit Process

Scope

Work Performed. We reviewed DoD and Air Force guidance for reviewing, validating, prioritizing, and submitting bulk fuel-related infrastructure project requirements and conducted on-site visits to determine whether the guidance was adequately implemented. We reviewed documentation for November 1988 through November 2001 used to support current MILCON and MR&E projects at McChord AFB and Eglin AFB. Additionally, we reviewed methods used to prepare supporting documentation for MILCON and MR&E project requests at the two installations and at the major commands responsible for approving the projects.

Limitation to Scope. We verified information documented on Military Construction Project Data forms (DD Form 1391) used to request construction projects. The MILCON project for bulk fuel storage at Duke Field documented the fuel inventory requirement for Duke Field and was supported by fuel issues and receipts data. We analyzed the fuel issues and receipts data and coordinated with DESC personnel to determine that the calculation performed by Eglin AFB personnel to determine fuel inventory was accurate. We did not, however, validate the accuracy of the Eglin AFB fuel issue and receipt data.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Defense Infrastructure high-risk area.

Methodology

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Universe and Sample. We identified the fuel-related MILCON projects submitted by the Air Force in FY 2000 for the FY 2004 Defense Logistics Agency Military Construction Program. We judgmentally selected projects with a Class 1 environmental status (those projects that will fix infrastructure currently out of compliance with Federal, state, or local environmental authorities) and high dollar-value bulk fuel storage construction projects. We identified a Class 1 MILCON project at Eglin AFB; and McChord AFB had the highest dollar value bulk fuel storage project for the Air Force. We reviewed all fuel-related MILCON projects at those activities. As a result, our review included one MILCON project, valued at \$10.3 million, at McChord AFB, and three MILCON projects, valued \$9.2 million, at Eglin AFB. We also reviewed all 30 active MR&E projects, valued at \$6.6 million, at McChord AFB and Eglin AFB.

Contacts During the Audit. We visited or contacted organizations within DoD. Further details are available on request.

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from March 2001 through November 2001, in accordance with generally accepted government auditing standards.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of the Review of the Management Control Program. We reviewed the adequacy of the Air Force management controls over bulk fuel storage delivery systems infrastructure MILCON and MR&E projects. Specifically, we reviewed management controls over the review, validation, and submission process of bulk fuel infrastructure MILCON and MR&E project requirements. We reviewed management's self-evaluation applicable to those controls.

Adequacy of Management Controls. We identified a material management control weakness at Headquarters, Air Force Reserve Command, and Eglin AFB. Management controls for MILCON projects were not adequate to ensure that bulk fuel-related infrastructure MILCON project requirements were adequately reviewed and validated at the installation and MAJCOM levels, prior to submission to DESC for review and prioritization. Recommendation 1., if implemented, will establish controls at Eglin AFB to ensure bulk fuel infrastructure MILCON requirements are adequately reviewed and validated. Recommendation 2., if implemented, will establish controls at Headquarters, Air Force Reserve Command, to ensure bulk fuel infrastructure MILCON requirements are adequately reviewed and validated. A copy of the report will be provided to the senior official responsible for management controls in the Air Force.

Adequacy of Management's Self-Evaluation. Air Force officials did not identify bulk fuel infrastructure MILCON and MR&E project review and validation as an assessable unit and, therefore, did not identify or report the specific material management control weaknesses identified by the audit.

Prior Coverage

Inspector General

Inspector General, DoD, Report No. D-2001-134, "Bulk Fuel Infrastructure Military Construction Project Review Process: Pacific," June 4, 2001

Inspector General, DoD, Report No. D-2001-040, "Bulk Fuel Infrastructure Maintenance, Repair, and Environmental Project Review Process: Pacific," January 30, 2001

Inspector General, DoD, Report No. D-2001-006, "Bulk Fuel Storage Requirements for Maintenance, Repair, and Environmental Projects at Fort Hood, Texas," October 23, 2000

Inspector General, DoD, Report No. D-2001-003, "Bulk Fuel Storage and Delivery Systems Infrastructure Military Construction Requirements for Japan," October 13, 2000

Inspector General, DoD, Report No. D-2000-164, "Bulk Fuel Storage and Delivery Systems Infrastructure Requirements for Yakima Training Center, Washington," July 20, 2000

Appendix B. Policy Guidance

DoD guidance prescribes policy for bulk fuel storage and delivery systems infrastructure, documents the processes, and assigns responsibilities for managing the infrastructure.

DoD Directive 4140.25, “DoD Management Policy for Energy Commodities and Related Services,” April 20, 1999. DoD Directive 4140.25 prescribes DoD policy for energy and related programs (for example, petroleum, natural gas, coal, and propellants). The directive states that the programs shall support DoD peacetime and wartime missions, and permit successful and efficient deployment and employment of forces. The directive also states that DoD Components shall minimize inventories consistent with peacetime and contingency needs.

DLA Responsibilities. The Director, DLA, plans, programs, and budgets facility MR&E compliance of petroleum storage and distribution facilities; and construction of new permanent storage and distribution facilities. DLA must coordinate these functions with the Services and the combatant commanders.

Military Responsibilities. The DoD Directive 4140.25 states that the Military Departments are to operate petroleum facilities under their cognizance.

DoD 4140.25-M, “DoD Management of Bulk Petroleum Products, Natural Gas, and Coal,” June 1994. DoD 4140.25-M implements DoD Directive 4140.25, prescribes policy guidance, and assigns functional responsibilities for integrated management of bulk petroleum products and associated bulk fuel storage facilities. The objective of integrated materiel management is to purchase, store, and distribute bulk petroleum products in an economic and efficient manner. DoD 4140.25-M states that the SCPs and the Combatant Command Joint Petroleum Offices are to review and validate MILCON and MR&E projects, as well as develop consolidated project priority lists. The Joint Petroleum Offices are responsible for overseas projects, and the SCPs are responsible for projects within the continental United States. The SCPs and Joint Petroleum Offices consolidate project priority lists and forward projects for consideration to DESC. The DESC reviews, validates, programs, and budgets funds for approved projects. DoD 4140.25-M details the MILCON and MR&E project submission cycle for DESC.

Air Force Instruction 32-1021, “Planning and Programming of Facility Construction Projects,” May 12, 1994. Air Force Instruction 32-1021 provides guidance for developing facilities through the use of MILCON and minor construction. Air Force Instruction 32-1021 states that installation commanders will plan and program facilities to support their mission according to the MAJCOM guidance, ensure existing facilities are used economically and efficiently, and submit MILCON projects to the MAJCOMs. The Instruction also states that MAJCOMs will review and validate facility requirements and cost estimates.

MAJCOMs and installations must validate each MILCON project by taking the following actions:

- Verify the requirement that creates the need for the proposed project...
- Confirm that the proposed project is the most cost-effective means of satisfying the requirement
- Confirm that the DD Form 1391 [Military Construction Project Data form] data is accurate and complete.

Air Force Engineering Technical Letter 99-6, “Programming Fuels Projects,” December 10, 1999. Engineering Technical Letter 99-6 provides guidance to civil engineering managers who program and manage fuel-related MR&E, minor construction, and MILCON projects for which funding is the responsibility of the DESC. The Engineering Technical Letter states that base civil engineers must prepare documentation for both MILCON and MR&E, and minor construction projects and that the documentation must

... explain the project and the need. . . . Where there are obvious, less expensive options, explain why they were not used. Minor construction projects should have an economic analysis attached when there may be options.

The Engineering Technical Letter instructs base personnel to submit MILCON and MR&E projects to the MAJCOM engineering personnel who review the documents for completeness and forward them to DESC.

Appendix C. Air Force Validated Bulk Fuel-Related MILCON Project Requirements

Air Mobility Command, Scott AFB, Illinois, was the MAJCOM for McChord AFB. Air Force Special Operations Command, located at Eglin AFB, Florida, was the MAJCOM for Hurlburt Field. MAJCOM and installation personnel properly reviewed and validated bulk fuel-related MILCON requirements for the projects at McChord AFB and Hurlburt Field in accordance with Air Force Instructions and Engineering Technical Letter 99-6.

McChord AFB MILCON Project. McChord AFB personnel submitted one FY 2000 MILCON project, PQWY033000, “Construct JP-8 Bulk Fuel Tanks,” for the FY 2004 DLA MILCON program. MAJCOM personnel identified the requirement based on FY 2000 Inventory Management Plan fuel inventory shortages at McChord AFB. McChord AFB personnel submitted a DD Form 1391 to construct two steel aboveground JP-8 fuel tanks, with 50,000 barrels of fuel capacity each. The FY 2000 Inventory Management Plan stated that McChord AFB had a 15-day requirement to disperse 154,700 barrels of fuel. McChord AFB had 69,000 barrels of useable fuel storage. The project was required to correct an 85,000-barrel fuel shortage. The DD Form 1391 included a detailed cost estimate of \$10.3 million. Air Mobility Command personnel coordinated with McChord AFB personnel to review and validate the project requirement in accordance with Air Mobility Command and McChord AFB established procedures.

Hurlburt Field MILCON Projects. Hurlburt Field personnel submitted two FY 2000 MILCON projects for the FY 2003 DLA MILCON program. The two projects were FTEV973016, “Hydrant Fueling System,” and FTEV983011, “Construct Fuel Pier.”

Project FTEV973016, “Hydrant Fueling System.” Hurlburt Field personnel submitted a DD Form 1391 to construct a 1,200-gallon per minute hydrant fueling system from Hurlburt Field’s bulk storage facility to a storage tank located on the East Apron through the use of two refueling trucks. The DD Form 1391 indicated that the project was necessary to support Air Force Special Operations Command mission and training requirements to quickly deploy manpower and material of the 20th Special Operations Squadron and two CV-22 Squadrons. The DD Form 1391 included a detailed cost estimate of \$3.9 million. Air Force Special Operations Command and Hurlburt Field personnel demonstrated that they reviewed and validated the project requirement in accordance with Air Force Special Operations Command and Hurlburt Field established procedures.

Project FTEV983011, “Construct Fuel Pier.” Hurlburt Field personnel submitted a DD Form 1391 to construct a petroleum, oil, and lubricants off-loading marine terminal pier with a pantograph arm and vapor recovery system in support of the mission requirements of the 16th Special Operations Wing.

Hurlburt Field personnel initiated the project to address insufficient containment on the current wooden pier found by the United States Coast Guard. The DD Form 1391 included a detailed cost estimate of \$2.8 million. Air Force Special Operations Command and Hurlburt Field personnel demonstrated that they reviewed and validated the project requirement in accordance with Air Force Special Operations Command and Hurlburt Field established procedures.

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Deputy Under Secretary of Defense (Installations)
Under Secretary of Defense (Comptroller)
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Naval Inspector General
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Commander, Air Force Reserve Command
Commander, Air Force Petroleum Office
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Defense Organizations

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Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
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House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Air Force Petroleum Office Comments



DEPARTMENT OF THE AIR FORCE
AIR FORCE PETROLEUM OFFICE
DET 3, HQ WARNER ROBINS AIR LOGISTICS CENTER (AFMC)
FORT BELVOIR VIRGINIA

28 Jan 02

MEMORANDUM FOR CONTRACT MANAGEMENT DIRECTORATE

FROM: DET 3 WR-ALC/AF

SUBJECT: Audit Report on Bulk Fuel Infrastructure Military Construction Project Review
Process: Air Force (Project No. D1999CG-0088.007)

1. This is in reply to your memorandum requesting comments on the subject report. We concur with your finding and recommendation.

FINDINGS: SCP Project Review and Validation. An Air Force SCP did not review or validate the Duke Field MILCON project. DoD 4140.25-M states that the SCPs are to review and validate MILCON projects, as well as develop consolidated project priority lists. Specifically, the Manual states that it is the responsibility of the SCP to review, validate, and prioritize all CONUS fuel-related MILCON requirements prior to submission to the DESC Installation Planning and Review Board. The Air Force did not have an SCP with responsibility for fuel-related infrastructure until the Air Force Petroleum Office was established in October 1, 2001.

RECOMMENDATION: We recommend that the Commander, Air Force Petroleum Office establish procedures to validate military construction project requirements in accordance with policies outlined in DoD 4140.25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," June 1994. At a minimum, procedures should verify whether adequate project requirement validation was performed by the major command sponsoring the project.

Concur. The AFPET will establish procedures in accordance with DoD 4140.25-M for the MAJCOMs use in validating MILCON and MR&E projects. We anticipate submitting changes to the point of contact for AFI 23-201 by 31 Mar 02. The procedures will include documentation of validation on the DD Form 1391. We established a pre Installation Planning Review Board to review and prioritize MILCON projects. The AFPET staff includes engineer positions; they will be responsible for reviewing MILCON and MR&E projects prior to submission to DESC. We intend to submit modifications to the point of contact for Engineering Technical Letter 01-15, Programming Fuels Projects, to include forwarding submissions to Air Force Petroleum Office instead of DESC by 31 Mar 02. ECD: Feb 03

2. If you have any further questions or concerns with our comments, please contact Major Andrew Pittman, Det 3 WR-ALC/AFL, 703-767-8337.

DAVID M. KING, Colonel, USAF
Commander, Air Force Petroleum Office

Air Force Reserve Command Comments



DEPARTMENT OF THE AIR FORCE AIR FORCE RESERVE COMMAND

FEB 14 2002

MEMORANDUM FOR HQ AFRC/FMX
ATTENTION: MS. RHODA MORTON

FROM: HQ AFRC/CE
255 Richard Ray Blvd, Ste 205
Robins AFB GA 31098-1637

SUBJECT: DoDIG Draft Audit Report, Bulk Fuel Infrastructure Military Construction
Project Review Process: Air Force (Project No. D1999CG-0088.007) (DoDIG
Memo, 7 Jan 02)

1. We concur with the subject DoDIG draft audit report and the recommendations included. Our response and proposed plan are attached.
2. Our point of contact is Mr. Timothy W. Greene, HQ AFRC/CEOM, DSN 497-1049, e-mail timothy.greene@afrc.af.mil.


JON D. VERLINDE, Colonel, USAF
The Civil Engineer

Attachment:
HQ AFRC/CEOM Response

DoDIG Draft Audit Report, Bulk Fuel Infrastructure Military Construction Project
Review Process: Air Force (Project No. D1999CG-0088.007) (DoDIG Memo, 7 Jan 02)

Concur with DoDIG recommendation stated in para. 2.a.

HQ AFRC/CE will develop procedures to review and validate bulk fuel-related military construction requirements IAW AFI 32-1021, Planning and Programming of Facility Construction Projects, 12 May 1994, and Air Force ETL 99-6 Programming Fuels Projects, 10 Dec 1999 (since replaced by ETL 01-15, 5 Jun 2001). Procedures will address identification and documentation of the minimum project scope necessary to support the requirement.

Status: OPEN

Est. Completion Date: 1 Jul 02

Concur with DoDIG recommendation stated in para. 2.b.

HQ AFRC/CE will submit future fuel-related military construction projects to the Air Force Petroleum Office for review, approval, and prioritization. Submission requirements will be included in the procedures developed for the above.

Status: CLOSED

HQ AFRC/CEOM concurs with the material management control weakness identified in Appendix A of the DoDIG report. HQ AFRC will establish management controls to ensure bulk fuel infrastructure MILCON requirements are adequately reviewed and validated. The management control procedures will be developed in conjunction with the procedures identified above.

Eglin Air Force Base Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS 86TH AIR BASE WING (AFMC)
EGLIN AIR FORCE BASE FLORIDA

MEMORANDUM FOR THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON VA 22202-4704

FROM: 96 ABW/CC
401 W. Van Matre Ave, Ste 106
Eglin AFB FL 32542-6802

SUBJECT: Bulk Fuel Infrastructure Military Construction (Your Memo, 7 Jan 02)

1. We concur with the recommendation as described on page 7, paragraph 1, of the report. Actions taken at installation level will be to establish internal standards of procedures to formalize and document the review and validation process of bulk fuel-related military construction project requirements. Estimated completion date for establishing the formal coordination procedures with Air Force Petroleum Office and Defense Logistics Agency is 31 Aug 02.

2. For questions, please contact Mr. Dennis Rackard, DSN 872-3143, ext. 207, or dennis.rackard@eglin.af.mil.


DAVID F. BIRD, JR., Colonel, USAF
Commander

Defense Logistics Agency Comments



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO J-3

MAR - 1 2002

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report, "Bulk Fuel Infrastructure Military Construction Project
Review Process: Air Force," January 7, 2002, Project No. D1999CG-
0088.007

The Defense Logistics Agency concurs with the recommendation in the subject draft report and has taken corrective measures as stated in the attachment.

We appreciate the opportunity to comment on the draft report. Questions may be referred to Ms. Emilia Snider, Defense Energy Support Center, (703) 767-9671 or Ms. Annell Williams, Internal Review Office, (703) 767-6274.

HAWTHORNE L. PROCTOR
Major General, USA
Director
Logistics Operations

Attachment
DLA Comments

Federal Recycling Program



Printed on Recycled Paper

Subject: Draft Report on Bulk Fuel Infrastructure Military Construction Project Review
Process: Air Force (Project No. D1999CG-0088.007)

Finding: Air Force installation and major command personnel approved and validated requirements at McChord AFB and Hurlburt Field, Eglin, AFB, for three bulk fuel-related MILCON projects, valued at \$17 million. The project requirements were accurate and necessary. However, requirements for an additional \$2.5 million bulk fuel storage MILCON project at Duke Field, Eglin AFB were inaccurate and unsupported. This occurred because Eglin AFB; Headquarters, Air Force Reserve Command (AFRC); and Air Force SCP personnel did not validate the project requirements in accordance with Air Force and DoD Guidance. As a result, AFRC personnel submitted inaccurate and unsupported MILCON project requirements to the Installation Planning and Review Board at the Defense Energy Support Center for funding consideration. During the audit, Air Force personnel took corrective action to properly identify and validate the project. However, unless the Air Force takes corrective action to improve the requirements validation process, nonessential or unnecessary projects could be considered for future funding. (See page 3)

DLA Comments: Noted.

Recommendation No.4: The DoDIG recommends that the Director, Defense Energy Support Center, Defense Logistics Agency, modify existing procedures to require Air Force Petroleum Center review and approval of bulk fuel-related military construction and maintenance, repair, and environmental projects before the projects are approved for funding.

DLA Comments: CONCUR. Procedure is already in place. AFPET has staff currently performing this function (since October 2001) and is in the process of hiring a full-time engineer to manage it.

Disposition:

- () Action is ongoing. ECD:
- (X) Action is considered complete.

Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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